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North/South Dialogue January 1986

Background: A formal North/South dialogue between developed and developing countries dates at least from the establishment in 1964 of the first UN Conference on Trade and Development (UNCTAD). The dialogue, covering development, trade, finance, and other topics, takes place in a number of UN forums. Division of the world into northern and southern camps, however, is often too simplistic to encompass the range of interests and circumstances among developed and developing countries. The frequently abstract and rhetorical nature of the debate, rigid conference structure and procedures, and difficulty in implementing agreed resolutions reflect the general inappropriateness of global solutions from politically oriented UN bodies. One of the few exceptions is the successful Generalized System of Preferences.

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The US continues to participate actively in the dialogue at major UN forums such as periodic UNCTAD ministerial meetings and the Review of the Substantial New Program of Action for the Least Developed Countries, as well as the regular meetings of the Economic and Social Council, the Trade and Development Board, and the Committee on Invisibles and Financing Related to Trade. UNCTAD VII is scheduled for 1987. Experience demonstrates that the specialized UN agencies, particularly those stemming from the 1944 Bretton Woods monetary conference, are most likely to produce concrete progress on many of the development and trade issues of primary interest to less developed countries (LDCs).

LDC concerns: Some LDCs allege that the international economic system is biased in favor of developed countries and ineffective in promoting DC development. They argue that all economic issues are linked and should be corrected simultaneously through global negotiations. They seek to restructure the international economic system and redistribute the world's wealth as outlined in their demands for a sweeping "new international economic order." The LDC negotiating agenda reflects a consensus but lacks priority. It seeks increased financial flows, technology transfers, and a larger share of decision making power in global financial institutions, such as the International Monetary Fund and the World Bank. It asks for higher and more stable prices for commodity exports, improved access to developed country markets for manufactured goods, and low interest loans with a minimum of political and economic strings.

US interests: LDCs are increasingly important to the US because of the interdependent international economic system. Problems of conservation, the environment, international terrorism, arms control, and population pressures, in addition to world economic and political issues, can be addressed effectively only in an atmosphere of cooperation between the developing and developed countries. The US has a major stake in helping LDCs achieve growth and stability:

- LDCs now receive 35% of US exports, more than the European Common Market and Japan combined;

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- LDCs provide many vital raw materials and energy resources; and
- Total US direct investment in LDCs is more than $50 billion.

US view: The US believes that the international economic system, although not perfect, works well. Industrial nations have responded to the need for evolutionary change, while preserving the fundamentals of a system that over the last three decades has promoted unprecedented economic growth. We favor continued evolution of this system in ways that will benefit both developed and developing countries. Another round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) holds a promise of progress through further liberalization of the trading system.

A permanent increase in the standard of living sought by LDCs is more likely to result from creating new wealth through sustained economic growth than from redistribution schemes. Attempts to counteract market fundamentals by such mechanisms as commodity cartels and income maintenance agreements have proven difficult to implement and sustain. We do not believe that a sufficient number of economically sound marketing agreements have developed, or are likely to develop, to justify the existence of a common fund to finance buffer stocks for them. Sudden changes in the rules for investment or financial transactions, such as massive shifts in financial resources or substantially altered trade practices, will inhibit rather than promote overall economic well-being. Change in the system, to be lasting, needs to be evolutionary and based on the mutual self-interest of all involved countries.

US record: The US has a good record in promoting the development of LDCs through both bilateral and multilateral channels. Each year we provide more food assistance than all other countries combined and extend more official economic development assistance than any other country. US citizens give substantial voluntary contributions to international aid activities, and private US banks have provided large amounts of financing for LDC projects. US trade with the LDCs makes an enormous, often underestimated contribution to development. Barriers to trade in US markets are among the lowest in the world. The US buys nearly 60% of all LDC manufactured exports to industrialized countries, even though our market constitutes only one-third of the total industrialized world market.

LDC responsibility: The economic prosperity of the developing countries is clearly in the US national interest, and we are particularly sensitive to the humanitarian needs of the low income countries. Access to our assistance, however, is not a right of LDCs, nor is it compensation to correct perceived past inequities. Although many of the poorest countries depend on us to help strengthen their economies and diversify their exports, the major responsibility for development and the well-being of their citizens lies with the developing countries themselves. Experience has shown that development is achieved when sound, market-oriented, domestic economic policies are pursued in a climate that encourages private investment and in a political atmosphere fostering practical solutions to problems. If LDCs pursue such policies, they can benefit greatly from increased international trade and investment.

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